

## Message Text

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12

ACTION XMB-07

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

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PA-03 PRS-01 USIA-12 INT-08 SCEM-02 HUD-02 AGR-20

RSR-01 /168 W

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R 231009 Z MAR 73

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 8152

INFO USDOC WASHDC

AMCONSUL HONG KONG

AMEMBASSY TOKYO

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PASS EXIM

HONG KONG FOR RAND

TOKYO FOR KEARNS

E. O. 11652/ N/ A

TAGS: EFIN, TW

SUBJ: EXIMBANK CHAIRMAN KEARNS VISIT TO TAIWAN

1. SUMMARY : EXIMBANK CHAIRMAN KEARNS HAD HIGHLY SUCCESSFUL  
4- DAY VISIT TO TAIWAN DURING WHICH HE MET WITH PREMIER, VICE  
PRESIDENT AND PRINCIPAL FINANCIAL AND ECONOMIC LEADERS. IN  
RESPONSE TO PUBLIC AND PRIVATE ROC QUERIES, CHAIRMAN STATED  
THAT EXIM PLACED NO CEILING ON LOAN TOTALS FOR ANY COUNTRY  
AND REMAINED PREPARED ON CASE- BY- CASE BASIS TO MAKE COMMIT-  
MENTS IN TAIWAN WHERE PROPOSALS FULLY MET EXIM ESSENTIAL  
CRITERIA. CHINESE APPEARED SATISFIED WITH THIS EXPLANATION  
AS WELL AS WITH THE SUBSTANCE OF THE CHAIRMAN' S NUMEROUS  
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DISCUSSIONS WITH INDIVIDUAL OFFICIALS AND BUSINESSMEN. END SUM.

2. ROC OFFICIALS AND BUSINESSMEN GAVE CHAIRMAN KEARNS WARM WELCOME DURING HIS TIMELY FOUR- DAY VISIT TO TAIWAN. CHAIRMAN WAS RECEIVED BY PREMIER ( WHO ALSO HOSTED A SMALL PRIVATE BREAKFAST) AND THE VICE PRESIDENT. HE MADE INFORMAL CALLS ON THE MINISTERS OF ECONOMIC AFFAIRS AND COMMUNICATIONS; THE ACTING MINISTER OF FINANCE; GOVERNOR OF THE CENTRAL BANK; PRESIDENTS OF TAIPOWER, TAIWAN RAILWAY, CHINA STEEL, CHINESE PETROLEUM; CHINESE AND AMERICAN BANKERS, ETC. THE CHAIRMAN ADDRESSED THE TAIPEI AMERICAN CHAMBER OF COMMERCE AND SPOKE TO A GATHERING OF CHINESE BUSINESSMEN AT A LUNCHEON HOSTED BY THE " ECONOMIC DAILY NEWS".

3. MOST OF THE CHINESE OFFICIALS INCLUDED FOLLOWING TWO POINTS IN THEIR CONVERSATIONS. THEY SOUGHT A REAFFIRMATION OF THE CHAIRMAN' S PRESS COMMENTS OF A YEAR AGO WHICH HAVE BEEN PLAYED UP IN THE PRESS, WITH HEAVY STRESS ON A STATEMENT THEREIN REGARDING THE AVAILABILITY OF EXIM FINANCING, WITHOUT A CEILING, FOR SOUND ROC PROJECTS. SECONDLY, THEY EMPHASIZED THE ROC' S DESIRE AND INTENTION TO GREATLY INCREASE PURCHASES OF US GOODS AND SERVICES TO RECTIFY THE BILATERAL TRADE IMBALANCE. IN RESPONSE TO THE FORMER, CHAIRMAN KEARNS STATED THAT EXIM PLACED NO CEILING ON LOAN TOTALS FOR ANY COUNTRY, AND REMAINED PREPARED TO MAKE COMMITMENTS HERE IN CASES THAT FULLY MET THE EXIM' S ESSENTIAL CRITERIA FOR FAVORABLE CONSIDERATION OF LOAN APPLICATIONS. HE EMPHASIZED THAT APPLICATIONS WERE ALL CONSIDERED ON A CASE- BY- CASE BASIS.

4. THE PREMIER MADE A SPECIAL POINT OF MENTIONING THE DETERMINATION OF THE ROC TO PURCHASE MORE FROM THE US AND NOTED THAT IN THIS CONNECTION TWO BUYING MISSIONS HAD BEEN SENT TO THE US FOR THIS PURPOSE. IN RESPONSE TO KEARNS' SUGGESTION THAT THE ROC MIGHT CONSIDER LARGER DOWN PAYMENTS IN CONNECTION WITH EXIM CREDITS (20 PERCENT WAS SUGGESTED IN VIEW OF THE STRONG FINANCIAL AND BALANCE OF PAYMENTS POSITION OF THE ROC), THE PREMIER DIRECTED GOVERNOR YU OF THE CENTRAL BANK ( WHO WAS PRESENT AT THE MEETING) TO LOOK INTO THE MATTER. CHAIRMAN HAD EARLIER RAISED THIS POINT WITH YU WHO PROMISED TO GIVE THE PROPOSAL LIMITED OFFICIAL USE

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OF LARGER DOWN PAYMENTS SERIOUS CONSIDERATION. THE PREMIER EXPRESSED CONCERN OVER INFLATIONARY PRESSURES IN TAIWAN AND INDICATED PART OF THE PROBLEM COULD BE ATTRIBUTED TO THE RISING COSTS OF IMPORTS -- INCLUDING GRAINS OF US ORIGIN.

5. THROUGHOUT HIS MEETINGS THE CHAIRMAN STRESSED THE CFF PROGRAM AND EXHORTED THE CHINESE TO UTILIZE THE

PROGRAM TO THE FULLEST EXTENT POSSIBLE. KEARNS POINTED OUT THE CFF PROGRAM WAS DESIGNED TO ASSIST SMALLER BUSINESSES TO EXPAND AND TO HELP ESTABLISH NEW BUSINESSES AND WAS COMPLEMENTARY TO EXIM' S OTHER PROGRAMS WHICH FINANCE LARGER AND MORE EXPENSIVE DEVELOPMENT PROJECTS AND BUSINESSES.

6. THE PRESIDENT OF CHINA STEEL CORP INFORMED KEARNS HIS FIRM WISHED TO US SOURCE AT LEAST 50 PERCENT OF THE EQUIPMENT FOR THE PROJECTED STEEL MILL, AND IF EXIM COULD PROVIDE THE FINANCE, HE WOULD " TOSS OUT" ALL EXISTING TENDERS. THE CHAIRMAN SUGGESTED THAT CHINA STEEL SUBMIT A NEW APPLICATION FOR THE FINANCING DESIRED. HOWEVER, DESPITE EFFORTS BY CHINA STEEL, KEARNS REFUSED TO BE PINNED DOWN AND MERELY STATED THE APPLICATION WOULD BE GIVEN THE SAME CONSIDERATION AS ANY OTHER REQUEST FOR A PRE- COMMITMENT.

7. THE PRESIDENT OF CHINESE PETROLEUM MENTIONED A NEW CHEMICAL REFINERY PROJECT INVOLVING \$45 MILLION IN FINANCING. AGAIN THE CHAIRMAN SUGGESTED THAT CHINESE PETROLEUM SUBMIT AN APPLICATION FOR A PRE- COMMITMENT.

8. OTHER TOPICS TOUCHED ON DURING THE COURSE OF VARIOUS MEETINGS INCLUDED THE PETROLEUM REFINERY, SHIPBUILDING AND RAILWAY ELECTRIFICATION. VICE PRESIDENT C. K. YEN SPOKE OF THE FAVORABLE EFFECT THE 10 PERCENT DEVALUATION OF THE US DOLLAR SHOULD HAVE ON THE COMPETITIVE POSITION OF US EXPORTS, AND EXPRESSED DISAPPOINTMENT THAT THE DEVALUATION HAD NOT YET BEEN REFLECTED IN RETAIL PRICES OF CERTAIN POPULAR AMERICAN CONSUMER ITEMS IN TAIWAN. DURING A CALL ON THE SECRETARY GENERAL OF THE CIECD THE CHAIRMAN DISCUSSED EXIM' S POLICY REGARDING " OFF- SHORE" FINANCING AND THE EFFECT OF SUCH FINANCING ON OUR BALANCE OF PAYMENTS. IN CONVERSATIONS WITH THE MINISTER OF ECONOMIC LIMITED OFFICIAL USE

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AFFAIRS AND THE PRESIDENT OF TAIWAN RAILWAY, KEARNS EMPHATICALLY STATED THAT EXIM WAS NOT PREPARED TO EXTEND REPAYMENT TERMS FOR THE RAILWAY ELECTRIFICATION PROJECT TO FIVE YEARS GRACE AND 15 YEARS PAYMENT. MCCONAUGHY

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HONG KONG  
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